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UNIDO Independent Audit Advisory Committee

Report of the Audit Advisory Committee

Management response

The present document contains the management response to the report of the Audit Advisory Committee (AAC) in document IDB.46/16, in line with decision IDB.44/Dec.4, and paragraph 24 of the terms of reference attached to the same decision.

1. Management took note of the advice provided by the AAC in its first report to the Board (IDB.46/16) and appreciates the value added through its review and advice. Management looks forward to further cooperating with the AAC. The below responds to the recommendations made by the AAC in its report.

I. Implementation of AAC work programme

2. **Acceleration of implementation of audit recommendations:** On 7 June 2018, the Executive Board discussed the implementation of outstanding recommendations and expressed its support to an efficient and effective follow-up scheme to resolve outstanding and future internal audit recommendations. Information on the implementation status of management action plans will be reported to the Board at its forty-seventh session.

3. **Action plan implementation across the Organization for internal and external audits, and Joint Inspection Unit (JIU) reviews:** Management supports that the Risk Management Committee (RMC) propose an action plan to the Executive Board for the establishment of the risk management framework, and to oversee and coordinate the implementation of recommendations for internal and external audits and JIU reviews. The Director General will report on the RMC activities to the Board at its forty-seventh session.

4. **Alignment of the internal oversight work programme with UNIDO's business objectives, strategies, and risks:** In its work programme presented to Member States in March 2018, the AAC advised internal audit to increase alignment of its work programme starting in the third and fourth quarter. Management supports

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the Office of Evaluation and Internal Oversight in the risk-based audit programme that will build on the risk mapping exercise and the risk register currently being established by the Organization (document IDB.46/7). The ongoing assurance mapping exercise led by the Internal Oversight Division (IOD) will help to ascertain whether risks are adequately covered by the third line of defence, which comprises the External Auditor, internal audit, evaluation, and the JIU.

5. As regards the **strengthening of the internal audit function in reference to the standards of the Institute of the Internal Auditors (IIA)**, management agrees with the AAC advice that IOD can play a bigger role as a trusted adviser, and supports the actions of the Office of Evaluation and Internal Oversight for a regular update of IOD's quality assurance and improvement plan. A self-assessment with external validation will take place during the fourth quarter of 2018 and the first quarter of 2019. This exercise will be in compliance with IIA standards and identify opportunities to adopt leading practices.

II. Comments on the 2017 Report of the External Auditor

6. Management took note of the AAC's support of the recommendations included in the External Auditor's report (IDB.46/3), in particular as regards the establishment of the risk management framework, capturing and analysing the costs of doing business, and strengthening information and communications technology. The recommendations were accepted by management, and detailed comments on how these issues will be addressed were contained in the responses provided by management, inter alia in the External Auditor's report. Management is committed to implementing the recommendations outlined by the External Auditor, to the extent the available resources permit, for effective and efficient delivery of its services to stakeholders.